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Weather conditions impact Romanian oilseed crop

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Approved By:

Russ Nicely

Prepared By:

Monica Dobrescu

Report Highlights:

Weather conditions impacted rapeseed planting in the fall of 2014 leading to poor emergence. Excessive moisture contributed further to plant deterioration. Part of the rapeseed area to be replanted will be covered by sunflower seeds MY 2015/16, which was otherwise expected to fall more significantly as a result of low returns last year. The upward trend in the soybean area is boosted by the recent Romanian Government decision to include soybean among the crops eligible for EU couple support. Romanian oilseed exports are projected to rise by 18 percent in MY 2014/15, but decline in MY 2015/16 by 16 percent due to expectations for lower rapeseed supply.

General Information:

The major oilseeds crops in Romania are sunflower seed, rapeseed and soybean. Romania ranked first among the EU member states in terms of sunseed area and production and second in case of soybean area and production in MY 2014/15. Romanian oilseed crops area is forecast to total 1.5 million HA in MY 2015/16, slightly lower than last year. Production estimate for MY 2015/16 totals 2.99 million MT, a 13 percent decline from 3.45 million MT last year, driven by the decreases in rapeseed and sunflower. Meal production is forecast to drop by 2 percent, as a result of lower seed availability. Soybean meal remains in the top of livestock farmers' preferences due to its competitiveness, followed by sunflower seed, while the share of rapeseed meal in feed use remains negligible. Sunoil consumption is predicted to recover.

Sunflower seeds

MY 2015/16

Despite the warm days at the end of February, which promised an early planting campaign start, rainfall and low temperatures in March changed farmers' plans. The weather improved in the beginning of April, with temperatures higher than normal. Planted area is expected to slightly drop as a result of the poor returns last year, due to abundant crop in the region and low market prices. Part of the rapeseed replanting area is expected to be substituted with sunflower seed, but overall the area is anticipated to drop by 4 percent to 980,000 HA, with total production being forecast to decline by 10 percent to 1.8 million MT. Weakened farmers' financial capacity to purchase adequate inputs may affect both crop quality and quantity.

The large majority of sun seed consists of regular seeds, but recent encouragements from seed suppliers and oil processors translated into high-oleic areas expansion. The area planted with high-oleic hybrids is estimated to reach this year about 100,000 HA (10 percent of the sunflower seed area).

Crushing volume is anticipated to fall slightly as a result of a lower sunseed production and the same trend is expected for sunseed exports (minus 12 percent). Sunseed utilization for snacks and food industry is expected to rise, due to the increasing utilization as snacks or incorporation in various bakery products.

MY 2014/15

Farmers reported that the sunflower seed crop was the least profitable, due to the low market price but also lower yields in some areas. Harvested output was about 7 percent lower than the previous year, reaching 2 MMT, with the amount to be divided between domestic crush (840,000 MT) and the export market (1.2 MMT). Crushing capacity is stagnant after capacities were added or upgraded last year. It is worthwhile mentioning that even in the context of increasing sunseed production and available crushing capacities, a large part of sunseed is exported.

Sunflower seed exports are expected to drop by 14 percent and the same trend is expected for imports.

The pace of sunflower seed exports was slow during the four months of MY 2014/2015 exports declining by 16 percent compared to the same timeframe of last year. EU member states absorbed about 55 percent of these exports. Hungary (93,000 MT), the Netherlands (76,000 MT) and France (57,000 MT) were the top three EU buyers, while Pakistan (176,000 MT), Turkey (83,000 MT) and South Africa (30,000 MT) were the top three non-EU buyers.

Sunflower Meal

Soybean meal competitiveness is limiting sunflower meal utilization in livestock production in MY 2014/15, thus about 65 percent of the total sunflower meal production of 455,000 MT is going to be exported. During the four months of the MY (October 2014-January 2015), exports have been equally split between EU and non-EU countries, unlike in the past when EU countries were the predominant buyers. Demand in non-EU countries, such as Saudi Arabia (53,000 MT), Morocco and Turkey changed the structure of exports this year. Black Sea countries, especially Ukraine, increased their competitiveness on the EU market, adding more pressure on Romania's exports.

Meal production is anticipated to slightly drop during MY 2015/16 following a lower crush and this trend is going to be reflected also in exports. Feed use is expected to stagnate, considering soybean meal competitiveness.

Sunflower Oil

Sunoil continues to dominate the diet of Romanian consumers with over 90 percent of oil consumption, leaving little space to other oils, such as palm oil and olive oil. Oil production is forecast to slightly decline as a result of a lower crush MY 2015/16. The largest share of sunoil production goes for domestic consumption (60 percent), while the balance is to be exported. The expectations for positive macroeconomic conditions (reduced VAT rate from 24 percent to 9 percent) are anticipated to be reflected into an improved domestic utilization for human consumption.

In MY 2014/15 sunoil production is anticipated to marginally increase as a result of a higher crush level than the previous year. Domestic consumption is recovering being favored by the low sun oil prices. During the four months of MY 2014/15 (October 2014 – January 2015) sun oil exports rose by 10 percent. The bulk of exports went to non-EU countries (56 percent), such as South Africa (21,000 MT), Turkey (18,000 MT), Lebanon and Mozambique, while Spain (13,000 MT) was the dominant buyer in European Union. Bulgaria, Hungary and Moldova Republic are the main foreign suppliers for the Romanian market.

Rapeseeds

MY 2015/16

In regards to the MY 2015/16 rapeseed crop, reports from the field suggested in the fall of 2014 an expansion in rapeseed area, considering the profitability gained last year. Crop' performance and the decision taken by the Romanian authorities to temporarily authorize the use of Neonicotinoides plant treatment for rapeseed may have played a role in farmers' decision to increase plantings.

However, the planting conditions in the fall were not ideal throughout the country: in some areas, there was a long timeframe between sowing and the first rain, leading to poor emergence and, later, to replanting. In other areas, field rat invasion diminished the prospects for good crops. Farmers claim the current repellent authorized to be used against field rats is more expensive than the previous substance and less efficient.

Overall poor emergence, excessive moisture and to a less extent, winter kill, forced farmers to take the decision of replanting. The planted figure may drop to 410,000 HA, which is lower than the previous year (430,000 HA). Yields are expected to fall in comparison to previous year, total production being anticipated to decline to 970,000 MT, which is 22 percent less than in 2014. Lower availability is expected to result in lower rapeseeds exports and domestic crush, which are to decline by 24 percent, respectively, 14 percent.

MY 2014/2015

The rapeseed crop was one of the most profitable crops in MY 2014/15. Rapeseed production exceeded the initial estimates, being estimated to reach 1.25 million MT, which is more than 50 percent larger compared to 2013. High rapeseed production favors both exports and a domestic crush. Crushing volume is estimated to rise to 290,000 MT seeds, satisfying in a better extent the biodiesel producers' needs for rapeseed oil. The trade figures available for the first seven months of MY 2014/15 (July 2014-January 2015) indicate an increase of 113 percent in rapeseed exports compared to the previous year, as a result of the improved rapeseed availability. The traditional buyers are the significant crushers at EU level, namely Belgium (203,000 MT) and the Netherlands (170,000 MT), while Middle East countries, such as Pakistan (142,000 MT), Turkey (107,000 MT) and United Arab Emirates (86,000 MT) emerged as major destinations outside European Union.

Rapeseed meal

Rapeseed meal is anticipated to reach 168,000 MT in MY 2014/15 and fall to 144,000 MT in MY 2015/16. Meal is almost exclusively exported, as domestic producers show a resistance in utilizing this by-product. Exports are expected to be equally divided between EU (88,000 MT) and third countries (80,000 MT). Spain was the dominant buyer during the first 7 months of MY 2014/15, while Israel (60,000 MT), Morocco (13,000 MT) and Turkey (9,500 MT) are the main buyers outside EU. A lower meal production in MY 2015/16 will lead to a drop in meal exports.

Rapeseed oil

Rapeseeds oil output is estimated to grow in MY 2014/15 as a result of a larger crush, but will return to the previous year's level in MY 2015/16. Trade figures for the first seven months of the MY 2014/15 show a significant increase in rapeseed oil exports (double figure), Italy being the major buyer. Biodiesel remains the main utilization purpose for rapeseed oil in Romania.

Soybeans

MY 2015/16

The soybean area is expected to continue growing as a result of the recent Romanian Government decision to include soybeans among the crops eligible for EU couple support. The level of support is estimated at 325 EURO/HA, but the final figure will be obtained by dividing the total funding to the total planted area. Farmers must comply with several requirements in order to be eligible for the couple support payment: farmers prove they own soybean crushing capacity or have signed a contract with a crusher for soybean deliveries (sale to non-crushers is also an accepted option). In addition, soybean yield must exceed 1.3 MT/HA and, starting with 2016, certified seeds must be used for planting. If applied in 2015, the latter condition would have been a major concern for farmers, as seed suppliers hardly met the growing demand. The provisions of the recent legislation to be implemented starting in June 2015 in Romania regarding GM contamination in seeds, may pose a risk to both domestic and U.S. companies interested in delivering soybean seeds in Romania, as seeds exceeding the approved contamination level will be denied acceptance for planting.

Driven by the attractive soybean support, soybean area is forecast to reach nearly 100,000 HA with an output of 225,000 MT in MY 2015/16, based on the assumption that yields are slightly lower as compared to the previous year. About a third of the soybean production is exported to EU countries. The internal crushing is projected to increase to 220,000 MT, using both domestic and imported seeds, mainly sourced from Ukraine.

MY 2014/15

The harvested soybean production estimate is 25 percent higher than the previous year, reflecting favorable weather conditions. As a result of higher domestic production, exports are estimated to increase significantly, mainly to EU countries. According to the trade data available for the first 4 months of MY 2014/15, Germany, Italy and Hungary were the main purchasers of soybean seeds. Regarding soybean imports, Ukraine is a constant source of soybeans for crushing due to its nearby location.

Soybean meal

A higher crush volume is reflected into a higher soybean meal production. Soybean meal utilization in livestock feeding is expected to slightly grow in the current MY and remain fairly stable in next marketing year. Trade data for the first four months of MY 2014/15 indicate a surge of 10 percent in soybean meal imports, with a clear preference for South America origin, Argentina and Brazil. The year-on-year upward trend in soybean meal imports is anticipated to continue in MY 2014/15 and remain flat in MY 2015/16. Despite the superior quality of U.S. soybean meal, United States has not supplied this market for the past 2 years, Romanian livestock industry remaining attached to other origins. Soybean meal exports in general follow the developments in the neighboring country, as namely Bulgaria, which is the main destination.

